

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Whitefish Township	County Chippewa
Fiscal Year End June 30, 2007	Opinion Date December 21, 2007	Date Audit Report Submitted to State January 9, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952		
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI	Zip 49788
Authorizing CPA Signature <i>Kenneth A. Talsma, CPA</i>		Printed Name Kenneth A. Talsma, CPA		License Number 1101024989

**WHITEFISH TOWNSHIP, MICHIGAN**

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**Basic Financial Statements**

**June 30, 2007**

WHITEFISH TOWNSHIP, MICHIGAN

ELECTED OFFICIALS

Earl Skeans  
Supervisor

Wanda Knox  
Clerk

Susan Anway  
Treasurer

Edson Forrester  
Trustee

Patrick Graham  
Trustee

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMAN, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT**

Township Board  
Whitefish Township  
7052 North M-123  
P.O. Box 69  
Paradise, Michigan 49678

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining information of the Township of Whitefish, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Whitefish's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 4 to the financial statements, management has not recorded capital assets in governmental activities from prior years and has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effect of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, financial position of the governmental activities of Whitefish Township, Michigan, as of June 30, 2007, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Whitefish Township, Michigan as of June 30, 2007 and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21 2007 on our consideration of the Township of Whitefish Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedules as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Whitefish Michigan's basic financial statements. The accompanying combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

December 21, 2007

## **Management's Discussion and Analysis**

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**Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township, as a whole, and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

**The Township as a Whole**

The Township's net assets increased \$166,944, from a year ago for the governmental activities, due mainly to an increase in charges for services and other revenues received. In a condensed format, the table below shows a comparison of the net asset as of the current year to the prior year.

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2007</u>
Assets		
Current Assets	\$ 451,160	\$ 557,940
Noncurrent Assets	<u>59,591</u>	<u>59,591</u>
Total Assets	<u>\$ 510,751</u>	<u>\$ 617,531</u>
Other Liabilities	<u>\$ 67,909</u>	<u>\$ 7,745</u>
Total Liabilities	<u>67,909</u>	<u>7,745</u>
Net Assets		
Invest in Capital Assets		
Net of Debt	59,591	59,591
Restricted	215,920	307,082
Unrestricted	<u>167,331</u>	<u>243,113</u>
Total Net Assets	<u>\$ 442,842</u>	<u>\$ 609,786</u>



The following table shows the changes of the net assets as of the current date to the prior year.

	<u>Governmental Activities</u> <u>2006</u>	<u>Governmental Activities</u> <u>2007</u>
Program Revenues		
Charges for Services	\$ 87,375	\$ 105,444
Operating Grants and Contributions	40,838	18,965
Capital Grants and Contributions	7,320	-
General Revenues		
Property Taxes	228,359	240,282
State Revenue Sharing	40,389	39,532
Unrestricted Investment Earnings	8,521	10,842
Other Revenue	<u>20,767</u>	<u>43,228</u>
Total Revenues	<u>433,569</u>	<u>458,293</u>
Program Expenses		
General Government	123,763	118,765
Public Safety	22,490	22,061
Public Works	73,578	47,939
Health and Welfare	62,677	39,663
Community & Economic Development	9,892	7,906
Recreation & Culture	71,600	45,462
Other Expenditures	<u>42,111</u>	<u>9,553</u>
Total Expenses	<u>406,111</u>	<u>291,349</u>
Changes in Net Assets	27,458	166,944
Net Assets – Beginning	<u>415,384</u>	<u>442,842</u>
Net Assets – Ending	<u>\$ 442,842</u>	<u>\$ 609,786</u>

The Township's net assets continue to remain reasonable healthy overall.

### **Governmental Activities**

The Township's total governmental revenues increased primarily due to the Township recording accounts receivable relating to ambulance receivables.

**The Township's Funds**

Our analysis of the Township's major funds are listed in the audit report, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007 include the General Fund, Fire Fund, Ambulance Fund and the Library Fund.

The General Fund pays for most of the Township's governmental services. The most significant are for general government activities, which incurred expenses of \$118,765 in 2007 as compared to \$123,763 in 2006. The decrease in expenditures was the result of other general government expenditures. These services are supported by the operating millage and State shared revenues. There was a net increase in the fund balance of \$75,782 for the General fund. The Fire Fund is for the operations and equipment of the fire department which is supported by two special millages, one for operating and the other for equipment. During the year, the fund balance in the Fire Fund increased by \$9,231. The Ambulance Fund is for the operations and equipment of the ambulance department. During the year, the fund balance in the Ambulance Fund increased by \$63,416 as a result of an increase in the collection of charges for services. The Library is supported by user fees and penal fines with the major expenditures being for services and wages. During the year, the fund balance in the Library Fund increased by \$16,557. The Street Lighting Fund is supported by a special assessment to pay for street lighting. During the year, the fund balance in the Street Lighting Fund increased by \$4,150 as a result of an increase in special assessments.

**General Fund Budgetary Highlights**

Over the course of the year, the Township board amended the budget to take into account events during the year. Of greatest significant was the ability of the board to hold expenditures down in a minimum.

**Capital Asset and Debt Administration**

At the end of 2007, the Township has a net capital of \$59,591 invested in equipment. To pay for the capital assets, the Township used available funds to continue to be debt free.

**Economic Factors and Nest Year's Budgets and Rates**

The Township's budget for 2007-2008 will be limited to essential services since the Township is trying to reserve funds to construct an emergency services building. We are experiencing an increase in the sale of property which is increasing the tax revenue as the cap on the taxable value is raised to the current market price of the property.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk's Office at 7052 North M-123, Paradise, Michigan 49768.

## **Basic Financial Statements**

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**Statement of Net Assets  
June 30, 2007**

	Governmental Activities
<b>ASSETS:</b>	
<b>CURRENT ASSETS:</b>	
Cash & Investments - Unrestricted	\$ 501,486
Taxes Receivable	11,808
Accounts Receivable	28,576
Due From State	12,712
Due From County	3,358
	<u>557,940</u>
Current Assets	<u>557,940</u>
Capital Assets	<u>59,591</u>
TOTAL ASSETS	<u><u>\$ 617,531</u></u>
<b>LIABILITIES AND NET ASSETS:</b>	
<b>LIABILITIES:</b>	
Accounts Payable	\$ 647
Accrued Liabilities	5,806
Due to Other Governments	1,292
	<u>7,745</u>
TOTAL LIABILITIES	<u>7,745</u>
<b>NET ASSETS:</b>	
Invested in Capital Assets	59,591
Restricted	307,082
Unrestricted	243,113
	<u>609,786</u>
TOTAL NET ASSETS	<u><u>\$ 609,786</u></u>

# Township of Whitefish, Michigan

## Statement of Activities For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
<b>Governmental Activities:</b>					
General Government	\$ 118,765	\$ 8,434	\$ 1,823	\$ -	\$ (108,508)
Public Safety	22,061	3,227	-	-	(18,834)
Public Works	47,939	29,626	-	-	(18,313)
Health & Welfare	39,663	60,136	-	-	20,473
Community & Economic Development	7,906	-	-	-	(7,906)
Recreation & Culture	45,462	4,021	17,142	-	(24,299)
Other Expenditures	9,553	-	-	-	(9,553)
Total Governmental Activities	<u>\$ 291,349</u>	<u>\$ 105,444</u>	<u>\$ 18,965</u>	<u>\$ -</u>	(166,940)
<b>General Revenues:</b>					
Taxes					240,282
State Revenue Sharing					39,532
Other					43,228
Investment Earnings (Loss)					10,842
<b>Total General Revenues</b>					<u>333,884</u>
Changes in Net Assets					166,944
Net Assets - Beginning					442,842
<b>Net Assets - Ending</b>					<u>\$ 609,786</u>

See accompany notes to financial statements.

# Township of Whitefish, Michigan

## Balance Sheet Governmental Funds June 30, 2007

	General	Fire Fund	Ambulance Fund	Library Fund	Street Lighting	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
Cash & Equivalents	\$ 230,656	\$ 49,566	\$ 136,708	\$ 57,418	\$ 5,653	\$ 21,485	\$ 501,486
Taxes Receivable	4,982	1,057	1,963	3,806	-	-	11,808
Accounts Receivable	1,389	-	27,187	-	-	-	28,576
Due From Other Funds	2,123	-	-	4,473	-	-	6,596
Due From State	12,712	-	-	-	-	-	12,712
Due From County	-	-	-	3,358	-	-	3,358
<b>TOTAL ASSETS</b>	<b>\$ 251,862</b>	<b>\$ 50,623</b>	<b>\$ 165,858</b>	<b>\$ 69,055</b>	<b>\$ 5,653</b>	<b>\$ 21,485</b>	<b>\$ 564,536</b>
<b>LIABILITIES:</b>							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 647	\$ -	\$ 647
Accrued Liabilities	3,460	890	-	1,456	-	-	5,806
Due To Other Funds	5,289	811	1,609	39	140	-	7,888
<b>TOTAL LIABILITIES</b>	<b>8,749</b>	<b>1,701</b>	<b>1,609</b>	<b>1,495</b>	<b>787</b>	<b>-</b>	<b>14,341</b>
<b>FUND BALANCES:</b>							
Reserved	-	48,922	164,249	67,560	4,866	21,485	307,082
Unreserved							
Undesignated	243,113	-	-	-	-	-	243,113
<b>TOTAL FUND BALANCES</b>	<b>243,113</b>	<b>48,922</b>	<b>164,249</b>	<b>67,560</b>	<b>4,866</b>	<b>21,485</b>	<b>550,195</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 251,862</b>	<b>\$ 50,623</b>	<b>\$ 165,858</b>	<b>\$ 69,055</b>	<b>\$ 5,653</b>	<b>\$ 21,485</b>	

### Reconciliation to amounts reported for governmental activities in the statement of net assets:

Add: Capital Assets	59,591
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<b>Net assets of governmental activities</b>	<b>\$ 609,786</b>
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# Township of Whitefish, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended June 30, 2007

		Special Revenue Funds				Nonmajor	Totals
	General	Fire Fund	Ambulance Fund	Library Fund	Street Lighting	Governmental Funds	Governmental Funds
<b>REVENUES:</b>							
Taxes	\$ 149,624	\$ 24,182	\$ 39,174	\$ 27,302	\$ -	\$ -	\$ 240,282
Special Assessments	-	-	-	-	8,484	-	8,484
License & Permits	55	-	-	-	-	-	55
Federal Grants	13,625	-	-	-	-	-	13,625
State Sources	41,355	-	-	3,517	-	-	44,872
Charges for Services	31,148	1,600	60,136	4,021	-	-	96,905
Interest & Rentals	10,842	-	-	-	-	-	10,842
Other Revenue	25,146	343	3,769	13,394	-	576	43,228
<b>TOTAL REVENUES</b>	<b>271,795</b>	<b>26,125</b>	<b>103,079</b>	<b>48,234</b>	<b>8,484</b>	<b>576</b>	<b>458,293</b>
<b>EXPENDITURES:</b>							
General Government	118,765	-	-	-	-	-	118,765
Public Safety	5,167	16,894	-	-	-	-	22,061
Public Works	43,105	-	-	-	4,334	500	47,939
Health & Welfare	-	-	39,663	-	-	-	39,663
Community & Economic Development	7,906	-	-	-	-	-	7,906
Recreation & Culture	13,785	-	-	31,677	-	-	45,462
Capital Outlay	-	-	-	-	-	2,268	2,268
Other Expenditures	7,285	-	-	-	-	-	7,285
<b>TOTAL EXPENDITURES</b>	<b>196,013</b>	<b>16,894</b>	<b>39,663</b>	<b>31,677</b>	<b>4,334</b>	<b>2,768</b>	<b>291,349</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>75,782</b>	<b>9,231</b>	<b>63,416</b>	<b>16,557</b>	<b>4,150</b>	<b>(2,192)</b>	<b>166,944</b>
<b>FUND BALANCES - JULY 1, 2006</b>	<b>167,331</b>	<b>39,691</b>	<b>100,833</b>	<b>51,003</b>	<b>716</b>	<b>23,677</b>	<b>383,251</b>
<b>FUND BALANCES - JUNE 30, 2007</b>	<b>\$ 243,113</b>	<b>\$ 48,922</b>	<b>\$ 164,249</b>	<b>\$ 67,560</b>	<b>\$ 4,866</b>	<b>\$ 21,485</b>	<b>\$ 550,195</b>

See accompanying notes to financial statements.

## Township of Whitefish, Michigan

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### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2007

Net Changes in fund balances – total governmental funds	\$ 166,944
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The change in net assets reported for governmental activities in the  
Statement of Activities is different because:

Governmental funds report capital outlays as expenditures. However,  
in the statement of activities, the cost of those assets is allocated over  
their estimated useful lives as depreciation expense. This is the amount  
by which capital outlay exceeded depreciation in the current period.

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Changes in net assets – statement of activities	<u>\$ 166,944</u>
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**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2007**

	Current Tax Collection Fund
<b>ASSETS:</b>	
Cash & Cash Equivalents	\$     31,637
Due to Other Funds	<u>          1,292</u>
 TOTAL ASSETS	 <u><u>\$     32,929</u></u>
 <b>LIABILITIES:</b>	
Due to Others	<u>\$     32,929</u>
 TOTAL LIABILITIES	 <u><u>\$     32,929</u></u>

## **Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Whitefish Township (township) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Whitefish Township:

**A. Reporting Entity**

Whitefish Township is located in Chippewa County and provides services to approximately 588 residents in many areas including public safety, highways and streets, general administrative services, and community enrichment and development. The Township is a general law township, and is governed by a five member board elected by the citizens of Whitefish Township. The board consists of the supervisor, clerk, treasurer, and two trustees whom reside in the community.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Taxes Receivable – Current or Property Taxes**

The Whitefish Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township of Whitefish as of the preceding December 31st.

The 2006 taxable valuation of Whitefish Township totaled \$55,182,426 of which ad valorem taxes levied consisted of 1.4908 mills for the Township operating, .9035 mills for fire and ambulance operating, and .4722 mills for library operating. The millages resulted in property tax revenue of \$82,266, \$49,857 and \$26,333 respectively during the fiscal year ended June 30, 2007. These amounts are recognized in the respective General and Special Revenue Funds financial statements as taxes receivable – current or as tax revenue.

The Township reports the following major governmental funds:

**General Fund**

This is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Fire Fund**

This fund accounts for the Township millage revenue that is reserved for the operation of the fire department.

**Ambulance Fund**

This fund accounts for the Township millage revenue that is reserved for the operation of the Township ambulance.

**Library Fund**

This fund accounts for the Township millage that is reserved for the operation of the Library.

**Street Lighting**

This fund accounts for the collection of a special assessment to pay for the street lighting.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Additionally, the Township reports the following fund type:

**Agency Funds**

Agency Funds are used to account for assets held by the Township as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

**D. Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand and demand deposits. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.”

**Capital Assets**

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) should be reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation. The Township has records of assets acquired after July 1, 2003 to the present time. The current year acquisitions have been recorded as capital outlay and is included on the Township's asset listing. However, these assets have not been recorded as capital assets and the related depreciation expense has not been recorded in the government-wide financial statements contrary to accounting principles generally accepted in the United States of America. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information – The Township Board created a budget for fiscal year 2007.

Budgets and Budgetary Control – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each June, after receiving input from the individual departments, the Board prepares a proposed operating budget for the fiscal period commencing July 1 and lapses on June 30. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through a resolution passed by the Township Board.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Trustees. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The Township does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Trustees during the year. Individual amendments were not material in relation to the original appropriations, which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At year end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Cash and Cash Equivalents – Unrestricted	\$ 501,486	\$ 31,637

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Bank Deposits (checking, savings, and money market accounts	\$ 501,486	\$ 31,637
Total	<u>\$ 501,486</u>	<u>\$ 31,637</u>

**Investment and Deposit Risk**

*Interest rate risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Township does not have an investment policy.

*Credit risk.* The Township has no investments for which ratings are required.

*Custodial credit risk.* Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk. As of year end, \$435,410 of the Township's bank balance of \$535,410 was exposed to credit risk because it was uninsured and uncollateralized.

**Statutory Authority:**

Michigan Law (Public Act 20 of 1943 as amended) authorizes the Township to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

**NOTE 4 - CAPITAL ASSETS**

The capital asset activity of the Township only includes 2004, 2005, 2006, and 2007 activity. The capital assets listed do not include all of the capital assets of the township. Township buildings have been owned by the Township for approximately 20 or more years. The depreciation expense was not calculated during the year and has not been recognized as an expense in the government-wide financial statements. The Township did not complete the capital asset listing. It is the intention of the Township to record the capital assets by June 30, 2008.

Capital asset activity for the primary government for the current year was as follows:

	<u><b>Beginning Balances</b></u>	<u><b>Increases</b></u>	<u><b>Decreases</b></u>	<u><b>Ending Balances</b></u>
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated:</i>				
Equipment	\$ 59,591	\$ -	\$ -	\$ 59,591
Subtotal	59,591	-	-	59,591
Net Capital Assets Being Depreciated	59,591	-	-	59,591
Total Capital Assets – Net of Depreciation	<u>\$ 59,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,591</u>



**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The Township reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

		DUE FROM OTHER FUNDS					
DUE TO OTHER FUNDS		General Fund	Fire Fund	Ambulance Fund	Library Fund	Street Lighting Fund	Total
	General Fund	\$ -	\$ 734	\$ 1,389	\$ -	\$ -	\$ 2,123
	Library Fund	4,473	-	-	-	-	4,473
	Tax Fund	<u>816</u>	<u>77</u>	<u>220</u>	<u>39</u>	<u>140</u>	<u>1,292</u>
	Total	<u>\$ 5,289</u>	<u>\$ 811</u>	<u>\$ 1,609</u>	<u>\$ 39</u>	<u>\$ 140</u>	<u>\$ 7,888</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**NOTE 6 - RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, errors and omissions, and employee injuries. The township participates in the Michigan Township Participating Plan (MTPP). The plan covers general liability, nonowned/hired automobile liability, errors and omissions, property damage, and inland marine. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 fiscal years.

The Michigan Townships Participating Plan operates as an insurance purchasing pool for local units of government in Michigan. The plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis. Individual reserves for each participant are unavailable.

**NOTE 8 - SUBSEQUENT EVENT**

In fiscal 2008, the Township anticipates constructing an emergency services building, which will be financed with \$480,000 of general obligation bonds.

**NOTE 9 - RESTRICTED NET ASSETS/RESERVED FUND BALANCE**

Net assets and fund balance have been restricted/reserved for the specific purposes of the fund.

## **Required Supplementary Information**

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# Township of Whitefish, Michigan

## Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 143,529	\$ 143,529	\$ 149,624	\$ 6,095
License & Permits	3,200	3,200	55	(3,145)
Federal Grants	13,625	12,805	13,625	820
State Sources	34,300	34,300	41,355	7,055
Charges for Services	27,300	28,800	31,148	2,348
Interest & Rentals	7,200	7,200	10,842	3,642
Other Revenue	1,700	80,200	25,146	(55,054)
TOTAL REVENUES	230,854	310,034	271,795	(38,239)
EXPENDITURES:				
General Government:				
Supervisor	11,587	11,587	9,801	1,786
Elections	4,735	4,735	3,145	1,590
Treasurer	25,743	20,893	21,061	(168)
Clerk	14,399	14,399	11,392	3,007
Trustees	4,418	4,418	2,991	1,427
Assessor	30,237	30,237	26,264	3,973
Board of Review	1,335	1,335	515	820
Buildings & Grounds	48,051	51,751	26,375	25,376
Cemetery	2,300	2,300	-	2,300
Other General Government	39,530	45,818	17,221	28,597
Total General Government	182,335	187,473	118,765	68,708
Public Safety:				
Liquor Law Enforcement	3,700	6,200	5,167	1,033
Total Public Safety	3,700	6,200	5,167	1,033
Public Works:				
Blight Enforcement	10,359	10,359	4,538	5,821
Road Maintenance	13,683	13,683	3,192	10,491
Sanitation	37,818	37,818	35,375	2,443
Total Public Works	61,860	61,860	43,105	18,755
Community & Economic Development				
Planning Commission	9,116	5,596	7,906	(2,310)
Total Community & Economic Development	9,116	5,596	7,906	(2,310)

# Township of Whitefish, Michigan

## Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Recreation and Culture:				
Great Lakes Shipwreck Historical Society Grant	13,625	12,805	13,625	(820)
Parks	6,100	6,100	160	5,940
Total Recreation and Culture	19,725	18,905	13,785	5,120
Other Expenditures:				
Insurance	30,000	30,000	6,126	23,874
Other	7,894	-	1,159	(1,159)
Total Other Expenditures	37,894	30,000	7,285	22,715
TOTAL EXPENDITURES	314,630	310,034	196,013	114,021
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ (83,776)</u>	<u>\$ -</u>	75,782	<u>\$ 75,782</u>
FUND BALANCE - JULY 1, 2006			167,331	
FUND BALANCE - JUNE 30, 2007			<u>\$ 243,113</u>	

# Township of Whitefish, Michigan

## Required Supplementary Information Budgetary Comparison Schedule Fire Fund For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 18,200	\$ 28,727	\$ 24,182	\$ (4,545)
Charges for Services	1,000	1,000	1,600	600
Other Revenue	13,327	-	343	343
TOTAL REVENUES	32,527	29,727	26,125	(3,602)
EXPENDITURES:				
Public Safety	32,527	29,727	16,894	12,833
TOTAL EXPENDITURES	32,527	29,727	16,894	12,833
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	9,231	\$ 9,231
FUND BALANCE - JULY 1, 2006			39,691	
FUND BALANCE - JUNE 30, 2007			\$ 48,922	

# Township of Whitefish, Michigan

## Required Supplementary Information Budgetary Comparison Schedule Ambulance Fund For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 33,800	\$ 33,800	\$ 39,174	\$ 5,374
Charges for Services	28,000	28,000	60,136	32,136
Other Revenues	19,132	16,027	3,769	(12,258)
TOTAL REVENUES	80,932	77,827	103,079	25,252
EXPENDITURES:				
Health & Welfare	80,932	77,827	39,663	38,164
TOTAL EXPENDITURES	80,932	77,827	39,663	38,164
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	63,416	\$ 63,416
FUND BALANCE - JULY 1, 2006			100,833	
FUND BALANCE - JUNE 30, 2007			\$ 164,249	

# Township of Whitefish, Michigan

## Required Supplementary Information Budgetary Comparison Schedule Library Fund For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 21,000	\$ 21,000	\$ 27,302	\$ 6,302
State Sources	3,000	3,000	3,517	517
Charges for Services	3,000	3,000	4,021	1,021
Interest & Rentals	100	100	-	(100)
Other Revenues	49,550	49,550	13,394	(36,156)
TOTAL REVENUES	76,650	76,650	48,234	(28,416)
EXPENDITURES:				
Recreation & Culture	76,650	76,650	31,677	44,973
TOTAL EXPENDITURES	76,650	76,650	31,677	44,973
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	16,557	\$ 16,557
FUND BALANCE - JULY 1, 2006			51,003	
FUND BALANCE - JUNE 30, 2007			\$ 67,560	

# Township of Whitefish, Michigan

## Required Supplementary Information Budgetary Comparison Schedule Street Lighting Fund For the Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Special Assessment	\$ 7,894	\$ 7,894	\$ 8,484	\$ 590
TOTAL REVENUES	7,894	7,894	8,484	590
EXPENDITURES:				
Public Works	7,894	7,894	4,334	3,560
TOTAL EXPENDITURES	7,894	7,894	4,334	3,560
EXCESS OF REVENUES OVER EXPENDITURES	\$ -	\$ -	4,150	\$ 4,150
FUND BALANCE - JULY 1, 2006			716	
FUND BALANCE - JUNE 30, 2007			\$ 4,866	



## **Other Supplementary Information**

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# Township of Whitefish, Michigan

## Combining Balance Sheet Governmental Funds June 30, 2007

	Special Revenue Funds		Capital Project	Total
	Airport Donation Fund	Marie Depetro Improvement	Fire/EMS Building Fund	Nonmajor Governmental Funds
<b>ASSETS:</b>				
Cash & Equivalents	\$ 26	\$ 12,863	\$ 8,596	\$ 21,485
<b>TOTAL ASSETS</b>	<u>\$ 26</u>	<u>\$ 12,863</u>	<u>\$ 8,596</u>	<u>\$ 21,485</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES:</b>				
Reserved	26	12,863	8,596	21,485
<b>TOTAL FUND BALANCES</b>	<u>26</u>	<u>12,863</u>	<u>8,596</u>	<u>21,485</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 26</u>	<u>\$ 12,863</u>	<u>\$ 8,596</u>	<u>\$ 21,485</u>

# Township of Whitefish, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non major Governmental Funds For the Year Ended June 30, 2007

	Special Revenue Funds		Capital Project	Total
	Airport Donation Fund	Marie Depetro Improvement	Fire/EMS Building Fund	Nonmajor Governmental Funds
<b>REVENUES:</b>				
Other Revenue	\$ 516	\$ -	\$ 60	\$ 576
<b>TOTAL REVENUES</b>	<b>516</b>	<b>-</b>	<b>60</b>	<b>576</b>
<b>EXPENDITURES:</b>				
Public Works	500	-	-	500
Capital Outlay	-	-	2,268	2,268
<b>TOTAL EXPENDITURES</b>	<b>500</b>	<b>-</b>	<b>2,268</b>	<b>2,768</b>
<b>EXCESS (DEFICIENCY) OF</b>				
REVENUES OVER EXPENDITURES	16	-	(2,208)	(2,192)
<b>FUND BALANCES - JULY 1, 2006</b>	<b>10</b>	<b>12,863</b>	<b>10,804</b>	<b>23,677</b>
<b>FUND BALANCES - JUNE 30, 2007</b>	<b>\$ 26</b>	<b>\$ 12,863</b>	<b>\$ 8,596</b>	<b>\$ 21,485</b>

## **Report on Compliance**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMA, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Township Board  
Whitefish Township  
7052 North M-123  
P.O. Box 69  
Paradise, Michigan 49678

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Whitefish, Michigan as of and for the year ended June, 30 2007, which collectively comprise The Township of Whitefish's basic financial statements and have issued our report thereon dated December 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Whitefish Township, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting, items 07-1, 07-2, 07-3, 07-4 and 07-5.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-1, 07-2, 07-3, 07-4 and 07-5 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Township of Whitefish's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 07-5, 07-6 and 07-7.

We also noted certain matters that we reported to management of the Township of Whitefish in a separate letter dated December 21, 2007.

This report is intended solely for the information and use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

December 21, 2007

**Financial Statement Findings**

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**MATERIAL WEAKNESSES**

**Township – Capital Assets Records**

*Finding 07-1*

*Condition:* The Township does have a list of land, buildings and equipment; however, the individual items have not been assigned dollar values. During the 2003/2004 fiscal year, the Township did establish by resolution a capitalization policy that specifies a dollar value or capitalization threshold that assets must exceed if they are to be capitalized.

*Criteria:* Accounting principles generally accepted in the United States of America requires that capital assets be included in the financial statements of the governmental activities; and that the capital assets be reported by category and depreciated in accordance with estimated useful lives of the respective assets.

*Recommendation:* We recommend that the Township take appropriate action to value and update the inventory of capital assets, including accumulated depreciation, and include control totals in the general ledger. Changes in capital assets must be updated at least annually. There should be procedures in place to assure that all capital assets, within the established dollar value, have inventory tags attached to them and tag numbers be indicated on the inventory list.

**Posting to Current Tax Collection Fund for Delinquent Taxes**

*Finding 07-2*

*Condition:* The Treasurer is recording the collection and/or payment of delinquent personal property taxes, delinquent summer taxes and prior tax years board of review changes to taxes in the current tax collections ledger.

*Criteria:* Only the current year's tax levy activity is to be recorded in the Current Tax Collection Fund.

*Recommendation:* We recommend that the Treasurer record the activity of other tax years in the funds to which the tax amounts are owing or being collected for. An alternative would be to record the tax information for other tax years in fund 701, Trust and Agency, for subsequent payment to or reimbursement from the respective funds as shown on the supporting tax documentation.

**Current Tax Collection Bank Account Reconciliation to Current Tax Ledger**

*Finding 07-3*

*Condition:* Activity in the current tax collection bank account did not agree with the amounts recorded in the current tax ledger for the 2006 tax levy.

*Criteria:* Bank reconciliations are to be compared to, and reconciled with, the supporting accounting records.

**Financial Statement Findings (Continued)**

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**MATERIAL WEAKNESSES** (Continued)

*Recommendation:* The bank reconciliation process should consist of the following:

1. Checks cleared by the bank should be verified to checks cleared by the Township. For automated bank reconciliation programs, this process would consist of verifying the total of cleared checks per the bank statement (total debits less debit adjustments) to the total of cleared checks per the township system total.
2. Deposits recorded on the bank statements should be verified to deposit records per the Township. This should include a review to determine that deposits were made on the date that the deposit should have been transmitted to the bank. All deposits in transit and any overages or shortages should be properly accounted for.
3. All debit and credit memos reflected on the bank statements should be reviewed and properly accounted for in the Township's accounting records and bank reconciliation.
4. The ending bank statement balance should be reconciled to the book balance of the Township including the identification of all reconciling items (deposits in transit, outstanding checks, overages, shortages, unrecoverd NSF checks, bank service charges, checks cleared in error, bank errors, credit memos, debit memos, purchase of new checks and other items on the bank statement that are not on the township records and vice versa). Reconciling items should be brought to the attention of the bank and responsible Township staff. The items should be properly disposed of, adjusted and eliminated prior to completion of the following month's bank reconciliation.
5. If an unreconciled difference between the bank statement balance and the Township book balance exists, the following guidelines can be used in locating the differences:
  - a. Repeat Steps 1 through 3 above.
  - b. If the cleared checks total per Township records does not agree with the bank total (number 1 above), review the bank statement for checks that may have been cleared by the bank twice or may have been cleared at an amount different than the amount cleared by the Township.
  - c. Examine voided checks making sure that checks voided after the bank reconciliation date (usually the bank statement ending date), but are dated prior to the bank reconciliation date, are reflected as outstanding on the outstanding check list.
  - d. Make sure that NSF checks have been properly reflected in the bank reconciliation, including those from the prior month that have not been recovered. Trace all NSF debits and credits shown on the bank statement to both the prior bank reconciliation and the current month's listing of unrecovered NSF checks.
  - e. Go back to the prior month's bank reconciliation, cleared checks report, and outstanding check listing and make sure that all reconciling items and adjustments from the prior month were either cleared or have been properly brought forward to the current month's bank reconciliation.



**Financial Statement Findings (Continued)**

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**MATERIAL WEAKNESSES** (Continued)

6. Unreconciled differences between the bank statement balance and the Township book balance should be resolved on a timely basis. Should an unreconciled difference exist which cannot be found, the unreconciled difference should be properly adjusted through the General Fund's operational budget on a monthly and not less frequently than an annual basis.
7. In order to properly monitor the completion of bank reconciliations on a current basis and to be aware of any unreconciled differences, completed bank reconciliations should be periodically reviewed by Township management.

**Inability of Management to Prepare the Financial Statements in Accordance  
with Generally Accepted Accounting Principles**

*Finding 07-4*

*Condition:* Personnel responsible for financial reporting are not monitoring and reporting interim or annual financial activity without auditor intervention.

*Criteria:* Internal controls should be in place to provide reasonable assurance to the Township that management reports financial statements necessary to monitor and report annual and interim financial activity without auditor intervention.

*Recommendation:* The Township should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

**Financial Statement Findings (Continued)**

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**NONCOMPLIANCE WITH STATE STATUTES**

Our examination revealed the following instances of noncompliance with State statutes.

**Reconciliation of Accounting Records**

*Finding 07-5*

*Condition:* The accounting program uses double entry bookkeeping, however, it does not require that both entries are in the same fund. We found that individual funds were out of balance due to single sided entries. Other recording errors are also occurring and not discovered since there is no reconciliation performed on the amounts recorded in the general ledger. A comparison of the amounts recorded in the accounting records of the clerk to the records of the treasurer is not performed by the clerk.

*Criteria:* MCL 41.65 states: "The Township clerk shall also open and keep an account with the treasurer of the Township, and shall charge the treasurer with all funds that come into the treasurer's hands by virtue of his or her office, and shall credit him or her with all funds that come into the treasurer's hands by virtue of his or her office, and shall credit him or her with all money paid out by the treasurer on the order of the proper authorities of the township, and shall enter the date and amount of all vouchers in a book kept by the township clerk in the office. The Township clerk shall also open and keep a separate account with each fund belonging to the Township and shall credit each fund with the amounts that properly belong to it, and shall charge each fund with warrants drawn on the township treasurer and payable from that fund. The Township clerk shall be responsible for the detailed accounting records of the Township utilizing the uniform chart of accounts prescribed by the state treasurer. The Township clerk shall prepare and maintain the journals and ledgers necessary to reflect the assets, liabilities, fund equities, revenues, and expenditures for each fund of the Township."

*Recommendation:* The clerk must keep a complete set of accounting records based on source documentation. The records must be reconciled to the treasurer's records.

**General Appropriation Act**

*Finding 07-6*

*Condition:* The budget does not include beginning and ending fund balances for the individual funds.

*Criteria:* Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for General and Special Revenue Funds. Section 15 of the act also provides the following:

The recommended budget for the General Fund and Special Revenue Funds must include for each fund:

- Actual expenditures for the most recently completed fiscal year;
- Estimated expenditures for the current fiscal year (to be arrived at by using actual expenditures to date and estimating expenditures to the end of the fiscal year);
- An estimate of the expenditures in the next fiscal year;
- Actual revenue for the most recently completed fiscal year;

**Financial Statement Findings (Continued)**

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**NONCOMPLIANCE WITH STATE STATUES** (Continued)

- Estimated revenue for the current fiscal year (to be arrived at by using actual revenue to date and estimating revenue to the end of the fiscal year);
- An estimate of the revenue in the next fiscal year;
- Beginning and ending fund balance for each year;
- An estimate of the amounts needed for deficiency, contingent, or emergency purposes;
- Other data relating to fiscal conditions that the chief administrative officer considers to be useful in considering the financial needs of the local unit.

The total estimated expenditures in the budget (including an accrued deficit), shall not exceed the total estimated revenues (including an available unappropriated surplus), the proceeds from bonds or other obligations issued under the fiscal stabilization act, or the balance of the principal of these bonds or other obligations.

*Recommendation:* We recommend that a balanced budget be prepared in accordance with Public Act 2 of 1968, as amended, and a copy of the budget be included in the minutes. The budget should include beginning fund balance, revenues, expenditures, ending fund balance, and not create a deficit position for the fund.

**Treasurer – Failure to Distribute Taxes in a Timely Manner**

*Finding 07-7*

*Condition:* We found that the Tax Collection Fund has undistributed taxes owing to various local governmental units as well as the General Fund. The amounts in the Tax Collection Fund are from the 2001 and 2004 tax levies. Also, several of the 2006 tax distributions were not within the time limits required by state statute.

*Criteria:* MCL 211.43 states that taxes collected shall be distributed within 10 business days after the first and fifteenth day of each month.

*Recommendation:* We recommend that all taxes be distributed as stipulated by law. The Township should research the payments made to local units for the 2001 and 2004 tax levies from both bank accounts and determine to whom the money in the tax account is owed. There should only be a small imprest amount in the tax account, from the General Fund, to keep the bank account open.



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT TO MANAGEMENT**

Township Board  
Whitefish Township  
7052 North M-123  
P.O. Box 69  
Paradise, Michigan 49678

We have audited the financial statements of Whitefish Township for the year ended June 30, 2007, and have issued our report thereon dated December 21, 2007. Our professional standards require that we make several communications to you, the purpose of which is to assist you with additional information regarding the scope and results of the audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Whitefish Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Whitefish Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the basic financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process. Significant audit adjustments were made to correct various errors. In addition, the attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

### **Disagreement with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the basic financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's basic financial statements or a determination of the type of auditors' opinion to be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in the performance of our audit.

### **Comments and Recommendations**

#### **Policy Manual (Prior Year)**

We encourage the Board to continue to develop and adopt appropriate policies for procurement, conflict of interest, credit card usage, etc., in order to achieve compliance with federal and state requirements.

#### **Fraud Policy (Prior Year)**

With the implementation of Statement on Auditing Standards No. 99, auditors are required to assess policies and procedures regarding fraud risks within a governmental entity. The Board does not have a "fraud policy" which would address fraud or suspected fraud and related board actions. We recommend the Board adopt a fraud policy in compliance with SAS No. 99.

#### **Personal Property Taxes**

Currently, the Township is not recording the amount of outstanding delinquent personal property taxes that are due to the Township in the general ledger. It is recommended the Township record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The Township should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

### **Tax Collection System**

During the testing of the Tax Collection System, two items of concern were noted. They are as follows:

1. The Treasurer alone handles the receiving, recording, and distributing of tax monies.
2. Tax payments received are not recorded in the General Ledger.

The above listed items are of concern because they do not facilitate the proper level of segregation of duties and internal controls.

We recommend that the following changes be implemented as soon as possible:

1. Separate the duties of receiving, recording and distribution of tax monies between two or more Township personnel. No single person should be allowed to fulfill all three duties.
2. All receipts and financial transactions should be recorded in the General Ledger.

### **Conclusion**

This information is intended solely for the use of the Board of Trustees, federal awarding agencies, pass through entities, and management of Whitefish Township and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC".

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

December 21, 2007